



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

March 28, 2012

Robbyn Wahby, Executive Assistant to the Mayor
Mayor's Office
1200 Market Street, Room 200
St. Louis, MO 63103

RE: Fixed Assets Review of Information Technology Services Agency(Project #2012-20)

Dear Ms. Wahby:

Enclosed is the Internal Audit Section's fixed assets review report of Information Technology Services Agency as of September 30, 2011. A description of the scope of our work is included in the report.

Fieldwork was completed on November 30, 2011. Management's response to the observation and recommendations noted in the report was received on March 21, 2012 and has been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

CC: Dele Oredugba, Acting Director, Information Technology Services Agency
Brad De Priest, Acting Network Manager, Information Technology Services Agency



CITY OF ST. LOUIS

INFORMATION TECHNOLOGY SERVICES AGENCY

FIXED ASSETS REVIEW

AS OF SEPTEMBER 30, 2011

PROJECT #2012-20

DATE ISSUED: MARCH 28, 2012

**Prepared By:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
INFORMATION TECHNOLOGY SERVICE AGENCY
FIXED ASSETS REVIEW
AS OF SEPTEMBER 30, 2011

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a review of fixed assets for the Information Technology Services Agency (ITSA). The purpose was to determine if ITSA effectively and efficiently manages risks to ensure:

- Compliance with applicable policies and procedures
- Safeguarding of assets
- Reliability and integrity of Fixed Assets Property Listing (FAPL) reports
- Economic and efficient use of resources

Scope and Methodology

The review was confined to evaluating ITSA's internal controls over the operational and fiscal activities pertaining to the Fixed Asset Management System (FAMS). The review procedures included:

- Inquiries of management and staff
- Reviews for compliance with policies and procedures
- Limited tests of related controls
- Other procedures considered necessary

Background

The purpose of ITSA is to serve both the City departments and the public. ITSA uses technology to assist the City departments as they deliver services to the public. Services provided include computer support, programming, and website administration.

Exit Conference

An exit conference was conducted at the Agency on March 21, 2012. The Agency was represented by Network Systems Manager, Network Systems Analyst, and Director, Information Technology St. Louis Metropolitan Police Department. The Internal Audit Section was represented by Internal Audit Supervisor and, Auditor-in-Charge.

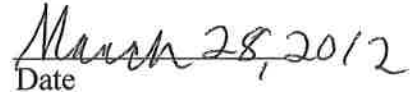
Conclusion

The opportunity exists for ITSA to improve internal controls over fixed assets and property control items. The following is the observation resulting from the review:

Opportunity to improve internal controls over fixed assets.

This observation is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.


Dr. Kenneth M. Stone, CPA
Internal Audit Executive


Date

**CITY OF ST. LOUIS
INFORMATION TECHNOLOGY SERVICE AGENCY
FIXED ASSETS REVIEW
AS OF SEPTEMBER 30, 2011**

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OBSERVATIONS

Status of Prior Observations

There was no recent review of Information Technology Services Agency's (ITSA) fixed assets within the past five years. Therefore, there were no prior observations.

Summary of Current Observations

An opportunity exists for the ITSA to improve internal controls over fixed assets. The following is the observation resulting from the review:

Opportunity to improve internal controls over fixed assets.

This observation is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Opportunity To Improve Internal Controls Over Fixed Assets

Thirty-seven fixed assets, items with an initial purchase price of \$5,000 or more were selected from the ITSA's Fixed Assets Property Listing (FAPL) to determine if they existed and were in good working condition. Property Control (PC) items, equipment costing less than \$1,000, were also reviewed.

Twenty-five of the 37 selected fixed asset items could not be located for the reasons stated below.

- Twenty fixed asset items could not be located because FAPL did not have their serial numbers listed:
 - Six routers
 - One switch
 - Seven computers
 - One power vault
 - Three laptops
 - Two catalysts
- The following five fixed asset items could not be located by their serial numbers:

Description	Serial Number
Router	JAB034382RG
Router	JAB034382S9
Router	JAB034382R2
Switch	SGLKH58Q5
Printer	USJNH13225

Section 210.08 of the FAMS manual requires physical and accounting controls to safeguard capitalized and non-capitalized assets at the budgetary level of the organization. Each organizational unit designates one or more (if needed) employees as the FAMS Coordinator(s) to monitor the custodial/stewardship responsibility function. This includes:

- Reviewing and confirming that all valid fixed asset transactions are recorded on a timely basis at proper values and are properly classified.
- Conducting a periodic comparison of physical inventory to recorded quantities of fixed assets and property control items.
- Instituting reasonable physical safeguards.
- Verifying and reporting inter and intra-organizational transfers.
- Acting as a liaison to the FAMS Section within the Comptroller's Office.

ITSA personnel stated that equipment is moved to various locations as necessary when an emergency arises; however, records of their movements are not maintained. In addition, disposals and retirements of equipment are not reported to FAMS Section within the Comptroller's Office.

The lack of internal controls over custody/stewardship of fixed assets and property control items increases the risk that they may be misused, lost or stolen.

Recommendation

It is recommended that ITSA establish a system of internal control to ensure that the FAMS Coordinator regularly performs the duties of the custodial/stewardship responsibility function required by Section 210.08 of the FAMS Policy and Procedures Manual. Those duties would include, but not be limited to:

1. Reviewing and confirming that all valid fixed asset transactions are recorded on a timely basis at proper values and are properly classified, including serial numbers.
2. At least quarterly, conducting a periodic comparison of physical inventory to the quantities of fixed assets and property control items indicated on the FAPL.
3. Verifying inter and intra organizational transfers (i.e., within or between departments) and reporting them to the FAMS Section of the Comptroller's Office.

Management's Response

ITSA concurs with the findings of the report and will begin immediately to address the findings. Specifically, ITSA will:

- *Immediately begin recording and tracking newly purchased fixed assets and property control items.*
- *Immediately begin the process of reconciling existing inventory with the FAPL.*
- *Establish procedures to capture and record inter and intra organizational transfers of assets.*
- *Establish procedures for regular periodic comparisons of fixed assets and property control items with those listed on the FAPL.*
- *Work closely with the FAMS Section of the Comptroller's Office to ensure full compliance with Section 210.08 of the FAMS manual.*